

P-478/EM-88-469APPROVING RATE FILINGS

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of a Proposal by Teleconnect
Company to Introduce Rates and Terms
Related to the Provision of TRAC-10 and
TRAC-MN Services

ISSUE DATE: October 13, 1988

DOCKET NO. P-478/EM-88-469

ORDER APPROVING RATE FILINGS

PROCEDURAL HISTORY

On July 12, 1988, Teleconnect Company (Teleconnect or the Company) filed a proposal with the Minnesota Public Utilities Commission (the Commission) requesting approval of TRAC-10 and TRAC-MN services.

On July 13, 1988, the Department of Public Service (the Department or DPS) filed its Report of Investigation and Recommendation on the filing, recommending that the TRAC-10 proposal be approved and the TRAC-MN proposal be modified.

On September 26, 1988 the Company responded to the DPS Report stating that it agreed with the DPS recommendation on TRAC-10 service but disagreed with the recommendation on TRAC-MN service.

The Commission met on September 28, 1988 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission must decide whether the Company's proposed rates will result in fair and reasonable rates as required by Minn. Stat. Sec. 237.06 (1986).

The Commission notes that the Company implemented these proposed rates on June 3, 1988 without Commission approval. It elected to have its telecommunications services treated as emergingly competitive under Minn. Stat. Secs. 237.58, 237.59, 237.60 and 237.62 on July 5, 1988 and filed this petition on July 12, 1988. The Commission finds that Minn. Stat. Sec 237.075 (1986) governs this

proceeding to the June implementation of these rates.

TRACtm services are long distance services which allow customers lower rates due to the use of high capacity lines for interstate and intrastate calls. The plans are offered as an add-on service to customers subscribing to Teleconnect's interstate TRAC service.

Teleconnect developed TRAC-10 and TRAC-MN to meet the needs of very large users. The State of Minnesota issued a request for proposals for long distance service in February, 1988. The State specified its requirements in requests for proposals of per minute intrastate rate and also considered proposals for interstate long distance service. The State awarded the bid to the vendor with the lowest quoted rates per minute. On March 29, 1988 the State awarded the contract to Teleconnect with the provision that service begin on June 1, 1988.

TRAC-10 and TRAC-MN are priced lower than any other long distance pricing options offered by the Company and are available to extremely high volume callers. TRAC-MN is restricted to customers with a minimum of 1 million intrastate/interstate minutes of use.

The Commission finds that TRAC-10 and TRAC-MN are marketing variations of Teleconnect's existing long distance service. The Commission has evaluated the costs of providing TRAC-10 and TRAC-MN and finds that the proposed rates are above the Company's incremental cost to provide the services. Pricing below incremental costs would be injurious to the profits of the business, may involve price discrimination, could promote price fluctuations and uncertainty throughout the industry, and could lead to a reduction in the overall quality of service. The Commission concludes that the proposed rates are reasonable.

The Department recommended that the Commission modify TRAC-MN's minimum usage requirements by reducing them from 1 million interstate/intrastate minutes to 300,000 intrastate minutes of user per month. The Department argued that the Commission has jurisdiction over only intrastate calls and that the minimum level of usage proposed by the Company to qualify for the service was discriminatory.

The Commission finds that the combination of intrastate and interstate minutes of use as a threshold to receiving TRAC-MN does not require regulation of rates for interstate calls. Regulatory authority over interstate calls is beyond the jurisdiction of Minnesota regulatory agencies. The Commission recognizes the combination of interstate/intrastate minutes of use as a threshold to the service's efficiencies and economies of scale. Further, the Commission finds that this minimum requirement is not of itself discriminatory as long as all users who reach that minimum usage can avail themselves of TRAC-MN services and rates. The Commission finds that the rates as proposed by the Company are fair, just, and reasonable under Minn. Stat. Sec 237.06 (1986) and will approve them as filed.

The Commission notes that Teleconnect implemented these proposed rates prior to filing them with the Department. Minn. Stat. Secs. 237.07 and 237.60 require certain telephone companies to file with the Department a schedule of rates and charges prior to their implementation. The Commission will not tolerate future violations of these statutes. The Company is put on notice that if violations occur in the future the Commission will take strong action to address those violations.

ORDER

1. Teleconnect's proposed rates for TRAC-10 and TRAC-MN services are hereby approved.
2. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)